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India: A Look Ahead for the New Government

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India: A Look Ahead for the New Government

Central Intelligence Agency
Directorate of Intelligence

August 1977

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With the completion last month of several state elections in India, Prime Minister Morarji Desai's new government is free to concentrate its attention on the future. Officials of the ruling Janata Party can begin consolidating the organization of their young and still fragmented party while the cabinet elaborates domestic and foreign policies. There is likely to be a period of slow change ahead while Janata entrenches itself as the dominant party in the face of an increasingly weak Congress Party and a fragmented opposition, and its policies are apt to reflect an increasing concern with rural over industrial development in the domestic sector along with a reduced dependence on the Soviet Union internationally.

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Party Politics

The June state elections reaffirmed the mandate given the Janata Party in the national elections in March. The Congress Party was routed, and Janata emerged in firm control of seven out of 10 states where elections were held—Uttar Pradesh, Bihar, Orissa, Rajasthan, Madhya Pradesh, Haryana, and Himichal Pradesh. On the one hand, this gives the central Janata leadership greater opportunity to carry out its policies of agricultural reform—the authority to enact land reform measures is constitutionally vested in the state governments. On the other hand, the election outcome clearly reveals the geographic limits of the party's support.

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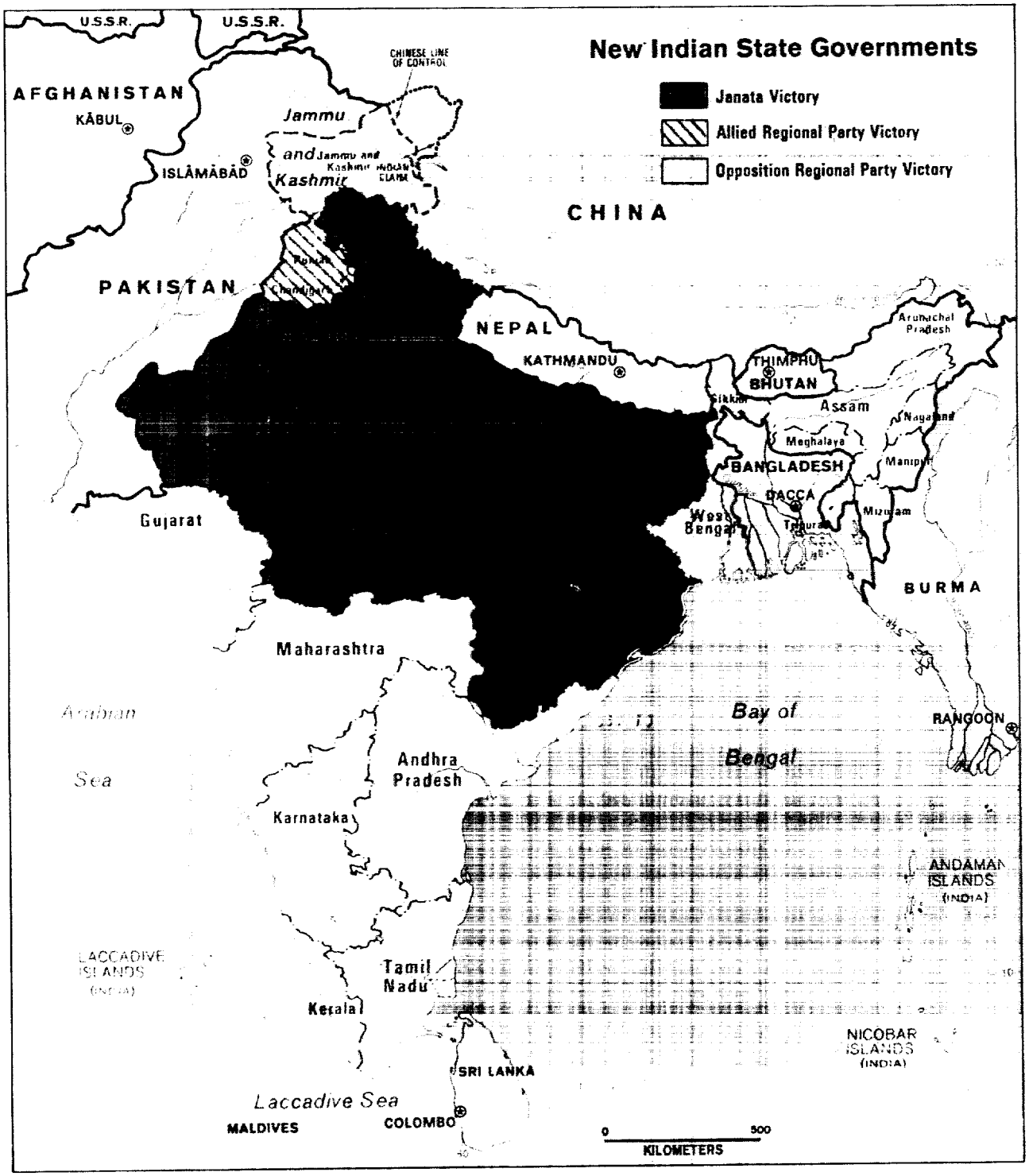
As in the earlier elections, the second Janata victory was confined to north-central India where Hindi and closely related languages predominate. In the peripheral states of West Bengal, Tamil Nadu, Kashmir, both Janata and Congress were overwhelmed by regional parties. To the extent that Janata won in the Punjab, it won

Prime Minister Desai



in an electoral alliance—the only one in which the party chose to participate in state elections—with the Akali Dal, which took 58 of the 117 contested assembly seats to Janata's 17. In West Bengal, the independent Communist Party of India-Marxist, with strong local roots, won 178 seats to Janata's 20. In Tamil Nadu to the south, Janata's 10 seats trailed far behind the AIADMK's 130; in a succeeding election in Kashmir, Janata was soundly beaten by the provincial political hero, Sheik Abdullah, and his National Conference.

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With its strength concentrated among those who have favored Hindi as a national language, the Prime Minister's party would seem to have little chance of building viable political bases in the border states. Instead, the Janata leadership is likely to concentrate on overcoming its association with Hindi chauvinism and attempt to build political bridges to the south. During the campaign, for example, the Prime Minister and members of his cabinet made a special point of saying they would not impose Hindi on recalcitrant regions nor deprive Kashmir of its limited autonomy. Janata leaders also selected a southern politician, N. Sanjiva Reddy, as the party nominee for President of the Indian Union.

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The new non-Janata state governments have agreed to cooperate with Desai's government for the time being. A quiet period of testing lies ahead, but the division between center and periphery is not likely to emerge as a major problem in the near term. Central governments have coped with similar situations since 1967, when the Congress Party suffered major defeats in state elections. The governments of West Bengal, Kashmir, and Tamil Nadu have little in common with each other, and the central government in Delhi controls many financial and military resources that are vital to the states.

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For the immediate future, Janata's political energies will be directed toward party reform and reorganization. The main task will be to weld its several blocs into an effective union. Like the Congress Party, which has always encompassed many competing viewpoints, the Janata leadership will have to develop some kind of modus vivendi among the party's elements. At present, five major blocs are represented in Desai's cabinet: the Organization Congress, composed of older men like the Prime Minister who broke with Indira Gandhi in 1969; the Bhartiya Lok Dal (BLD), founded in 1975 by Home Minister Charan Singh and particularly strong in the populous states of Uttar Pradesh and Bihar; the Hindu-oriented Jana Sangh, whose former president is Foreign Minister Atal Behari Vajpayee; the smaller Socialist Party of Industries Minister George Fernandes; and the Congress for Democracy (CFD), led by untouchable spokesman and member of many Congress cabinets, Defense Minister Jigjivan Ram.

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In the allocation of chief ministerships in the states, the BLD and Jana Sangh blocs have clearly come out ahead. Charan Singh and Nanaji Deshmukh, a Jana Sangh leader and present Janata general-secretary, decided between them that four former BLD members and three Jana Sanghi members would become chief ministers in the states where Janata took an absolute majority. For the moment, this would make Charan Singh, with his control of the powerful Home Ministry (in which the central police powers are located) and solid political base in Uttar Pradesh and Bihar, the second most powerful man in the party after Desai. But over the longer term, Deshmukh, who controls the solid Jana Sangh organization with its young, dedicated workers dispersed through northern India, may emerge as kingmaker much as Kamaraj Nadar was in the Congress Party of the 1960s. Significantly, Deshmukh has turned down a cabinet position in order to build Janata's political organization around the Jana Sangh.

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Although some Janata faction leaders are disgruntled at the latest distribution of jobs, the attraction of office should keep the party united for some time to come. When the Prime Minister expands his cabinet, as he is expected to do shortly, positions will probably be offered to members of the less well-organized Janata elements. Other efforts can also be expected by party leaders in a continuing attempt to weld the various components together and to construct a "machine" with which to wheel and deal like the Congress leaders of old.

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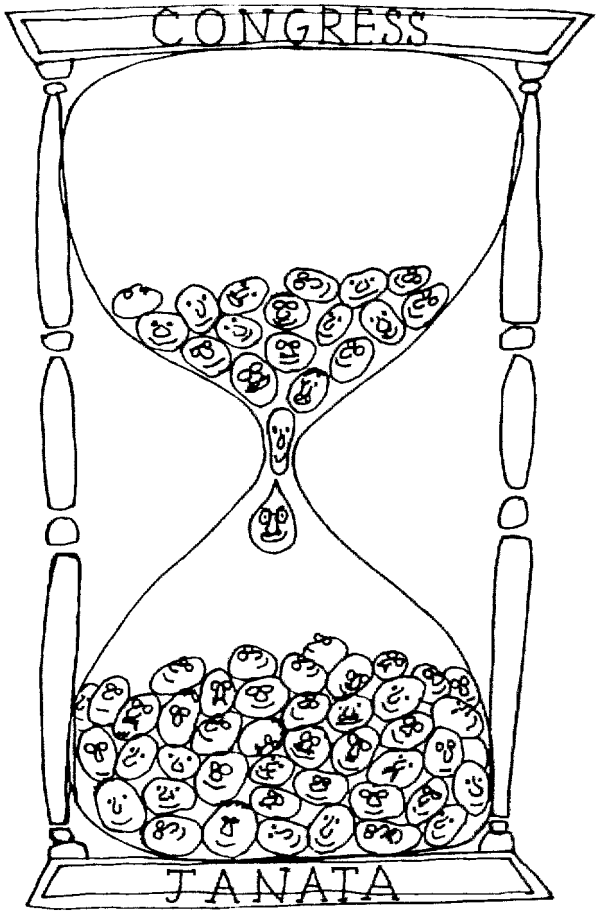
The defeated Congress Party has lost much of its traditional flexibility. Its leaders seem unsure of themselves. The larger part of the party's leadership has remained united around the figure of Mrs. Gandhi despite her repudiation at the polls. But as long as Gandhi's men dominate Congress' central offices, the party is likely to find its activists slipping away to other parties—especially the incumbent Janata—as its leadership faces challenges from groups who would turn the party in other directions and its popular appeal fades even further. [redacted] 25X1A



Our two party system

There are no signs that Congress is addressing itself to the task of internal reform. If it does not do so soon, there is a good chance that Janata will slip into Congress' previous role in national politics, with competition, compromise, and negotiation all carried on within the confines of the dominant party. Indeed, if Congress defections to Janata continue over the next few years, Janata leaders might eventually change the party name to Janata-Congress rather than let a venerable label slip into oblivion. [redacted] 25X1A

Domestic Policies

The Janata victory has brought a new political class into ascendence. For the first time, the cabinet has no graduates of Cambridge, Oxford, or the London School of Economics. It is composed instead of entirely home-trained leaders, more comfortable with Indian mores, more insular, and generally less impressed with industrial showpieces and models of Soviet development than was the older generation of Congress politicians. Moreover, the Janata leadership reflects the rise of a new constituency that is, by and large, an urban middle class of smaller entrepreneurs and lesser government bureaucrats—central and state governments are the largest employers—with closer ties to their rural villages and northern India's peasant masses. Janata's policies will be responsive to the interests of these groupings and, overall, somewhat to the right of the policies followed by the Congress. [redacted] 25X1A

The cabinet's first steps were to abolish the trappings of emergency rule, release political prisoners, and restore the parliamentary system. These moves were greeted with enthusiasm, and memories of Gandhi's [redacted] regime will be kept alive through a long period of public investigations while the Janata government buys time to enact its long-term economic and social policies emphasizing rural development, small-scale industry, and decentralization of power. [redacted] 25X6 25X1A

Desai's government is constrained, however, by legacies from the past. Over the years, official policies fostered the growth of sophisticated high technology, capital intensive industries in the public sector, some of which now have inadequate markets in their own country, and some cannot work to capacity. Further, agriculture continues to lag, and persistent underemployment and unemployment remain in the countryside. Finance Minister Patel asserted,

somewhat exaggeratedly, in his June 17 budget speech that the overall growth rate for the past 25 years has been only 5 percent per annum, in the 1970s, 3.5 percent annually. One-third of India's districts were said to have had no growth in 15 years. The monetary situation is now characterized by high domestic inflation.

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There were no innovations in Patel's budget, and the Prime Minister warned that the impact of rural development would not be realized for 10 years. Following moves to relax restrictions on foreign investment in India, the government chose to emphasize its nominal reductions in the budget made by borrowing against foreign exchange reserves, pledged continued protection of public sector industries, and promised greater selectivity in the importation of technology. The government also hopes to stimulate exports by applying more generous capital gains taxes to key industries. In line with Janata's approach, the cabinet took steps to promote rural growth by offering tax concessions and funds to small-scale and handloom plants designed to generate jobs in the countryside. The Planning Commission was authorized to come up with a five-year plan within these guidelines.

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Major problems lie ahead for the Janata Party—and for India. As the expectations of change brought with the election of a new government and the abolition of emergency rule begin to fade, discontent will increase. It is already beginning in the labor sphere where unrest is escalating as employers resist wage demands the national economy can ill afford. The Desai cabinet, caught between its populist campaign promises and a lagging economy, shows no sign of fresh economic thinking. Unless it does so, the dislocations caused by constant low growth, population increase, and the continuing disparity between the rich and poor will be the biggest, and perhaps insuperable, issue over the longer term. (For the present, India's only hedges against the future are large stocks of grain and foreign reserves, all too quickly diminished when the inevitable bad monsoons occur and India must purchase grain abroad.)

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Foreign Policies

In line with its less grandiose domestic policies, Janata's foreign policy is also taking a more pragmatic and balanced turn. The new leadership has fewer world-political aspirations than did the governments following independence. The Desai regime's primary aim is to obtain willing acceptance of Indian hegemony in south Asia. Foreign Minister Vajpayee has stated repeatedly that New Delhi wants to cultivate good relations with all neighboring states within the context of a truly evenhanded nonalignment that will isolate the area from superpower competition.

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Indeed, Desai's first steps in foreign affairs were to assure India's neighbors of its good intentions. With China, India's largest neighbor, the Prime Minister has made it a point to follow up the 1976 Gandhi initiatives of exchanging ambassadors after a 15-year hiatus, and has slowly reopened trade relations. (The major dispute between the two nations, however, remains cross-border claims that are not likely to be settled quickly, in part because there is deeply held anti-Chinese sentiment among some segments of the Janata Party.) To the east, New Delhi moved quickly in an effort to settle outstanding issues with Bangladesh. Desai met privately with General Zia, the Bangladeshi President, at the Commonwealth Conference in London in June. He has also authorized a more flexible Indian position in the Farraka Barrage negotiations on the flow of the Ganges River—upon which Bangladesh depends for irrigation and communication—and agreed to return some insurgent Bangladeshis while refusing to permit the continued use of Indian territory for insurgent bases. Desai and Vajpayee probably perceive that they cannot afford another upheaval in Bangladesh with its consequent flow of Hindu refugees into India. As for Pakistan, the Janata government has cautiously refrained from making any comments about her western neighbor's recent political turbulence. New Delhi has a vested interest in Pakistani stability so that it can maintain its dominance of the subcontinent with the least cost.

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Indian foreign policymakers—both in this government and in its predecessor—associated their country's regional dominance with keeping the big power conflict out of the area. In pursuit of this goal, the present regime has veered toward a more "genuine" nonalignment. New Delhi depends upon the Soviet Union for most of its imported military equipment and some other aid. The 1971 Treaty of Friendship, of great importance to India when negotiated, has received less attention in recent years, and the new Prime Minister has stated that the Treaty "must not come in the way of our friendship with any other state." India is also beginning to find Soviet technology inadequate for its present needs and seems to be looking increasingly for Western suppliers.

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Accordingly, the Desai government is apt to be more open to Western approaches. The Prime Minister was pleased to receive letters from President Carter and was also pleased by Washington's decision to bar the sale of A-7 aircraft to Pakistan. After Gandhi's electoral defeat, a strong feeling prevails among Janata's leaders that India has once again demonstrated the vitality of her democracy; a sense of kinship is felt with other constitutional democratic systems.

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Yet this will not significantly diminish either India's dependence on the Soviet Union nor its leadership's pragmatic commitment to keeping big-power competition away from south Asia. New Delhi will instead probably attempt to treat the Eastern and Western blocs more equably. For example, the foreign minister, while still critical of US construction of naval facilities on Diego Garcia, told Parliament in more moderate tones than the Gandhi regime had used that demilitarization of the Indian Ocean area was a matter for the United States and the USSR to settle. Vajpayee also added that he was satisfied by American efforts to keep him informed on the progress of negotiations with Russia. Similarly, the Indian government has assumed a less strident posture at international forums where it has tried to capture more influence among third world nations as a mediator between big and small powers.

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One of the most significant new aspects of Indian foreign policy arises from the Prime Minister's strong personal feeling about the destructive capacities of nuclear weapons. On July 13 he publicly stated that for the present India will neither manufacture nuclear weapons nor carry out nuclear explosions even for peaceful purposes. New Delhi, however, can be expected to continue to refuse to sign the nonproliferation treaty, which in its eyes discriminates against nations without nuclear weaponry. (Indeed, it could still pursue its experimental program which may be related to weapons development.)

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In Indian foreign affairs today there are few major changes. A more pragmatic mood and openness prevails, but that has yet to express itself in any significant policy shifts. The major difference is in India's tone and accessibility.

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Conclusion

India is in many ways now back on the course it followed before it was deflected by Mrs. Gandhi. Like Prime Minister Lal Bahadur Shastri, who held office briefly from June 1964 to January 1966, the new generation of leaders is rooted in its indigenous culture, proud of it, and responsive to the claims of lower middle class urban and rural constituencies. The difference now lies in the new leadership's shift of Indian politics to the right of center and its assumption of a more truly nonaligned stance in foreign affairs.

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But one continuity appears likely to persist. Major economic and social problems probably will be evaded for the sake of immediate political power, and competition and compromise will go on within the framework of one dominant party. Over the long term, Janata's—and India's—present stability could be undermined by an eruption caused by failure to deal with these unresolved socioeconomic issues.

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The author of this paper is [redacted] *of the South Asian Division, Office of Regional and Political Analysis. Comments and queries are welcomed and should be directed to* [redacted]

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27 July 1977

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